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Amazon and Google are losing money in a speaker price war

By Post Staff Report

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An Amazon Echo Dot

Amazon

Amazon and Google both discounted their home speakers so deeply over the holidays that they likely lost a few dollars per unit — a troubling sign for Apple as it prepares to launch its HomePod speaker, analysts said.

Both companies cut prices for the smallest version of their speakers, the Amazon Echo Dot and Google Home Mini, to as little as \$29 from \$50 for the US holidays. Midlevel versions cost a bit more than twice as much.

Both companies took small losses or broke even on sales of the hockey puck-shaped devices, analysts estimated.

The Echo Dot has about \$31 worth of parts, according to analysis by ABI Research. Components in the Google Home Mini cost about \$26. The figures do not include overhead, shipping and other expenses, meaning discounted versions likely sold at a loss.

"Apple is in a bit of trouble," said Adam Wright, senior research analyst at IDC, who estimated that about 35 million smart speakers had been installed worldwide as of a couple of weeks ago — not including US Christmas sales. "We've witnessed an explosion in the last six months."

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Apple failed to ship its \$349 HomePod speaker in 2017, as it initially planned, and said the device would go on sale in early 2018.

Apple aims to make a profit on the device itself and bolster sales of its \$9.99-per-month Apple Music subscription, analysts said. Apple's voice assistant Siri likely will focus on recommending new songs.

Amazon and Google, meanwhile, are eager to give consumers a taste of their respective digital assistants, Alexa and Google Assistant, at impulse-buy prices, hoping to lock in customers and profit from later sales of goods and data about buying habits.

The Home Mini and Echo Dot do not match the sound quality of the HomePod, but consumers may see less need for a superior, pricier speaker from Apple once they have a rival setup. Even the mid-level Amazon and Google devices were discounted to \$79 over the holidays.

"That kind of pricing is great for consumers and bad for Apple," said Paul Erickson, a senior analyst with IHS Markit.

Some consumers might consider a \$30 speaker to be cheap enough to throw away and not a barrier to buying the Apple device when it arrives.

Amazon declined to comment on Echo devices but said last week the Echo Dot was the most popular item its Prime members purchased while using Alexa.

Alphabet-owned Google did not disclose sales numbers for the Home Mini, but Google Home spokeswoman Nicol Addison said the company was very happy with holiday performance. Google gave away the devices to buyers of its new Pixel 2 smartphones and offered them for \$29 at Wal-Mart, Target and Best Buy.

With Reuters

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